

## highlights

a weekly digest of recently released British Columbia statistics

### Prices

- **British Columbia's consumer price index (CPI) increased 2.2% during the twelve-month period ending in August.** The year-over-year rise in the CPI came as prices for most goods and services continued to creep up. Shelter (-0.2%) and clothing (-2.0%) were the only major commodity groups where prices moderated in August. In the case of shelter, the marginal decline was due to lower prices for piped gas (-13.1%) and fuel oil (-6.1%).

Consumers paid 2.1% more for food this August than they did a year ago, although a glut in the world coffee supply (world coffee prices are currently at an historic low) helped lower prices for coffee and tea (-1.6%). Recreation, education and reading (+1.5%), household operations and furnishings (+2.6%), health and personal care products (+3.2%) and transportation (+4.9%) all cost more than they did a year ago. Alcohol and tobacco prices (+15.4%) were up substantially, largely because of tax increases introduced earlier this year.

Total energy costs have begun to rise (+1.4%) again, with consumers paying more (+8.4% in August) at the pump during the summer driving months. With the uncertain situation in the Middle East, many analysts expect the cost of oil and gas to climb this winter, so these commodities may well exert inflationary pressures in the next few months.

*Source: Statistics Canada*

- **British Columbians faced lower overall price increases than other Canadians did in August.** The inflation rate here (+2.2%) was nearly half a percent below the Canadian average (+2.6%). Yukon (+0.8%), Manitoba (+1.8%) and Quebec (+2.2%) were the only regions with lower year-over-year inflation rates. Alberta's

2.3% increase was only marginally higher than in BC. Prices were up substantially in Atlantic Canada and Ontario (+2.9%).

Vancouver (+2.0%) saw prices increase less than in most other metropolitan areas. Edmonton (+1.8%) and Winnipeg (+1.8%) were the only other cities where the year-over-year inflation rate was at or below two percent. In Victoria, prices rose 2.7% overall, giving the city one of the highest inflation rates in western Canada.

*Source: Statistics Canada*

### The Economy

- **Exports of BC products were 4.8% lower this July than in the same month last year.** The drop in the value of exports was largely due to the forest sector, where exports were down 14.5%. Shipments of agriculture and fish (-1.5%) products also dropped below July 2001 levels. Offsetting this were a 2.0% increase in energy exports, and more substantial advances in shipments of industrial (+6.2%) products, machinery and equipment (+10.9%) and other goods (+6.3%). Canadian exports rose 1.1%, as the value of international shipments from Ontario (+4.2%) was boosted by automotive and industrial product exports. The Atlantic provinces also made strong gains, but exports from the Prairies were weak as international shipments of both agriculture and energy products softened.

*Source: Statistics Canada*

- **Shipments of goods manufactured in the province increased 2.6% (seasonally adjusted) between June and July.** The growth in the value of shipments was largely due to the durables sector, where shipments were up 4.5% overall. Shipments by wood producers (+3.5%) regained some of the ground lost in June, when they fell 15.5% following the imposition of countervailing duties by the US. Producers of

**Did you know...**

**People who write a letter to the editor, or call in to a talk show are more likely to be male (52%) than female (48%). Six out of ten have a university or college degree.**

metal products, transportation equipment, and computer products also made relatively strong gains. On the non-durables side, shipments were unchanged as a 2.9% drop in the value of paper shipments offset gains in most other industries, including food (+1.3%) and beverage (+2.6%) manufacturing.

BC's manufacturing sector put in one of the strongest performances in the country, advancing at a rate that was well above the national average (+1.0%). The relatively strong growth was largely explained by a recovery from a slump in the previous month, when BC shipments fell 3.7%. Manitoba (+3.4%) was the only province where shipments increased more than in BC. Overall, there was a mixed bag of results, as shipments fell in five provinces in July.

*Source: Statistics Canada*

- **New motor vehicle sales in the province were up 4.2% (seasonally adjusted) in July as BC (including the territories) bucked a national trend that saw 1.9% fewer vehicles driven off car lots across the country.** Sales were down in five of the provinces, including Ontario (-4.6%) and Quebec (-1.9%). Since the beginning of the year, sales in western Canada have been on an upward trend, largely because of the strong growth seen in BC and Alberta. Sales in the rest of the country have been falling.

*Source: Statistics Canada*

- **Wholesale sales in BC continued to sag, falling 0.6% (seasonally adjusted) between June and July.** July was the third straight month in which sales have either been flat or down. Nationally, the value of sales rose 0.7% in July, led by the computer and automotive sectors. Although sales were down in 7 regions, relatively strong increases in Ontario (+1.3%) and Quebec (+1.1%) boosted the overall level.

*Source: Statistics Canada*

### **Tourism**

- **Visitor entries to British Columbia fell 2.2% (seasonally adjusted) between June and July.** The drop in entries was largely due to decreased travel from the US (-2.7%). At the same time, the number of overseas entries edged up (+0.5%) as visits from Asia (+2.2%) and the South Pacific (+8.1%) picked up. However, en-

tries from Europe remained in a slump, falling (-4.0%) for the seventh straight month.

The number of Canadians returning home via BC rose 0.5% in July, largely because of increased overnight travel to the US (+5.7%). A weak Canadian dollar, and border delays continued to put a damper on same-day travel to the US (-3.0%). Re-entries from overseas were down 2.0%.

*Source: Statistics Canada & BC STATS*

### **E-Commerce**

- **British Columbians spend more money shopping online than other Canadians do.** In 2001, they spent an average of \$1,394 on Internet purchases, 58% more than the \$880 spent by the average Canadian household. BC households placed an average of 5.6 orders for products with an average value of \$247 in 2001. Online purchases by BC residents accounted for 26% of the nearly \$2 billion spent by Canadians shopping online in 2001. Books, clothing, electronics, and tickets for travel are the most common e-commerce purchases. One in three Canadian households had at least one member who used the Internet either to window shop or to place online orders.

*Source: Statistics Canada*

### **Home Alone**

- **One in four Canadians surveyed in 1998 said they would like more time to themselves.** Women (25 to 44) with young children were the most likely (58%) to express this wish. Thirty-four percent of men in the same circumstances wished for more time alone, as did six out of ten individuals (male and female) who were time-stressed. However, those who spent a lot of time home alone were less likely to say they were very happy than those who were around people more often. Forty-eight percent of people who spent less than two hours a day alone reported being very happy, compared to 37% of those who spent eight or more hours by themselves. Overall, 30% of people living alone said they felt very happy, compared to 44% of those with a spouse and children and 48% of those with only a spouse—which implies that most of us tend to be on the grumpy side!

*Source: Statistics Canada*

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## Regional Outlook—Vancouver Island/Coast

*BC Stats projects small area populations using a "Component/Cohort-Survival" population model. The method requires separate forecasts of each of the components of population change, namely fertility, mortality and migration. We monitor and weigh planned or foreseen economic events that may give rise to immigration or outmigration. An analysis of these events and their likelihood form the basis for a set of migration assumptions for the demographic model. When the collections of such information are organized by region and theme it is possible to build a 'bottom-up' picture of events that may shape a region's future. The report that follows is the first in a series of regional outlooks.*

### Summary

Towards the end of the twentieth century, concerns regarding environmental degradation increasingly guided land use and policies within the province. Some have argued that policies intended to protect the Vancouver Island/Coast development region led to many restrictions on growth into environmentally sensitive areas. Changes to some of these policies could have major impacts for the region. The moratoriums on off-shore drilling and on fish farming may be lifted. As well, efforts to make ports more competitive with the US and Central Canada may also lead to increased activity. Changes in regulations may also encourage more mining including tapping into coalbed methane.

### Demographics

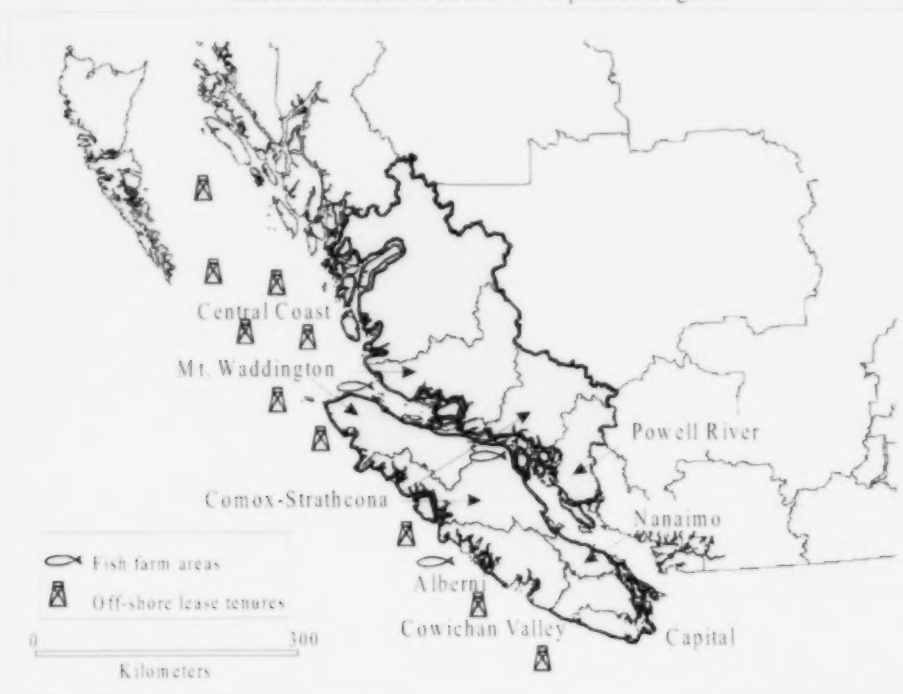
The population of the region has increased marginally, by approximately 15,000 (2 %), between 1996 and 2001, with the majority of the growth coming from in-migration (almost 13,000). Most of the new residents moved into the south east

portion of the Island, particularly the Capital region and to a much lesser degree, the Nanaimo region. Victoria has a relatively large portion of the province's elderly population and the number of individuals who are over 65 will likely increase as the population ages and retirees continue to move into the area. The rural areas to the north and west have a much different demographic profile than the urban south east. In the former, there are more males than females, the median age is lower, and the fertility rates are higher, while in the latter the population is on average older as reflected by a higher median age at death as well as crude death rate. The large elderly population in the dense urban south has resulted in more deaths than births for the region as a whole and this disparity will likely increase. Nonetheless, the urban south does also attract a large number of youths seeking education, social activities, and employment, many working in the growing service sector.

### Economy

While jobs are being filled in the urban south, the unemployment rate in the rest of the region has grown. The number of bankruptcies is up marginally (0.7 %) over the last year for the province as a whole but this is not the case in the resource-based communities, especially on the Island. From 1996 to 2001, consumer bankruptcies in Port Alberni have increased by 204 per cent and in Campbell River consumer bankruptcies are up 235 per cent. The reduction in exports to Japan, combined with resource constraints has resulted in job losses and migration out of the rural north and west regions of the Island. In an effort to potentially revitalize local economies, proposals have been made to attract new investment for various activities. These include attempts to gain access to China's burgeoning house building market, and the lifting of the moratoriums on off-shore drilling and fish farming. Mining and the processing of metals are also being promoted by some.

Vancouver Island/Coast Development Region



### Transportation

In terms of human activity, one of the more distinct features of a coastal area is the ports and water transport. In an attempt to make BC ports more competitive with U.S. ports, proposals are being made to reduce industrial taxes, set by municipal governments, as well as increasing the amount of land zoned for industrial activity near ports. Large and small coastal marine operators are required to pay excise taxes on diesel marine fuel to the federal government. Recently, the Federal Court of Appeal ruled that the tax was unfair. The federal government is attempting to overturn the ruling by passing a bill to allow the tax to persist. It is estimated that the cost of this tax to marine operators, over the last twenty years, is approaching \$100 million.

Port activities can also help stimulate shipbuilding and maintenance employment. For example, Victoria shipyards have been busy over the summer with work on five cruise ships employing an estimated 300 workers. Nanaimo's role as a regional hub is being reinforced with the expansion to the ferry terminals as well as the convention

centre. Not surprisingly, Nanaimo's airport is now the second busiest on the Island employing 347 people full-time. Although there has been a slow-down in forest activity, Port Alberni registered a slight increase in exports from its port over the year ending in July. The Port Authority reported 59,800 tonnes shipped for the year, 10,000 tonnes more than the previous year.

### Energy

Despite its potential for electrical power generation, Vancouver Island is largely dependent on the mainland. Seventy percent of the Island's electricity is transmitted through cables lying across the bottom of Georgia Strait. About 15 percent of the cable capacity is believed to be approaching the end of its useful life, and is scheduled for retirement in 2007/08. In addition, BC Hydro forecasts increasing demands for electricity for the Island. The loss of power associated with the transmission of electricity, as well as the costs of equipment, have made it worthwhile to look for electrical generation locally.

In June 2002, BC Hydro submitted a proposal to the environmental assessment board outlining the installation of a 265-megawatt electrical-generation plant at Duke Point near Nanaimo. The Vancouver Island Generation Project, as it is dubbed, is thought to be needed to meet the Island's electricity demand by the winter of 2004/05. If approved, this facility would use natural gas pushed through pipes to be laid across the bottom of Georgia Strait. In the meantime, BC Hydro, like other provincial electricity providers, is looking to small local generators to help meet energy demands. These include the use of wind, tides, and garbage as sources of power. On the west coast of the Island, two generators powered by tidal waters are being built in partnership with BC Hydro. The tides will generate intermittent power to approximately 700 homes. Further up the west coast, BC Hydro has connected the Raging River hydro generator to the province's electrical grid. Over the next few years, BC Hydro plans to bring as many as 20 independent power producers (IPPs) on-line, setting their contribution to the grid to 10 percent. While 'green' sources of power have gained popularity some are meeting resistance. Recently, a proposal to build a wind farm of 50 wind turbines south of Cape Mudge was withdrawn due to protests from local residents. As well, not all of the smaller projects are using green methods. At the Quinsam coal mine north of Campbell River, the Quinsam Power Corp. has proposed to build a \$54 million, 49.9-megawatt, coal-fired electricity generating plant at its mine site. Nonetheless, BC Hydro officials say that larger projects are required since electrical needs will not be met by burning wood waste and using small co-generation and micro-hydro generators.

### **Fisheries**

One of the primary industries for the Island/Coast has been the fishery. Resource constraints have led to a reduction in the size of the fishing fleet. Over the last decade the number of licenses has been halved. The fastest growing sector within fisheries is aquaculture. This sector will likely grow rapidly once new regulations are adopted and the seven-year moratorium on new fish farms is lifted in the near future. The morato-

rium, which was to be lifted in the spring, has been delayed due to concerns over escapees and faeces contamination. Nonetheless, as GDP from the commercial fishery dropped, the aquaculture GDP has grown from less than \$10 million in 1984 to almost \$100 million in 2000. But this growth has not resulted in replacement jobs for former commercial fishers. The relatively high productivity in aquaculture took a leap in 2001 when there was a 50 percent increase in farmed salmon. The jump brought capacity up to 62,284 tonnes (dressed weight) due to improved production methods from the fish farms on the coast. There are three principal areas where fish farms are located; at the north end of the Island around Port Hardy, Port McNeil and Alert Bay (39), as well as near Campbell River (31) and also north of Tofino (23). While much of the processing of the fish takes place near Vancouver, a farmed-fish processing plant in Port Hardy has grown to employ 260 people, becoming the largest employer in the area. Other indirect employers include fish feed and transportation companies as well as net maintenance facilities.

The move away from wild fisheries to domestication may side-step difficult negotiations with both national and international fishers but farming is not without controversy. Artificially reared salmon are seen by some as rivals, not complements, to wild populations contributing to the decline in wild fish stocks. Despite efforts to contain the farmed Atlantic salmon 339,000 are reported to have escaped to 77 streams since 1991. Environmentalists have formed coalitions with native groups to maintain the moratorium on fish farming.

Troubles within the wild fishery continue as efforts are made to limit the catch. As the number of wild fish drops, the federal government is withdrawing money for enhancement programs. Fisheries and Oceans Canada is planning to close up to eight major salmon hatcheries and has begun to cut support to hundreds of small, community-run fishery projects around BC. It is hoped that \$21-million of the budget for the Pacific Region will be saved. In Port Hardy, the proposed cuts would take \$60,000 from the local hatchery's funding, about 30 percent of its annual budget. Some communities have been

taking a proactive approach to improvements as well as policy making. In Campbell River, community groups including the Campbell River Gravel Committee, the Ministry of Transportation and a collection of local contractors have constructed a new fish ladder along a Campbell River spawning channel. In Ucluelet, citizens have encouraged the federal government to withdraw special permission given to Polish processing ships off the coast, thereby returning employment to the community.

### Off-Shore Drilling

Another moratorium that may be lifted on the coast is that placed over off-shore drilling. This suspension was imposed due to the rising concerns in the 1970's over possible adverse effects on the environment. Tests done in the area show that there are potentially large reserves off-shore. The resumption of drilling could result in increased economic activity and population in west coast communities from Prince Rupert to Port Renfrew. Before the go ahead is given though, issues of jurisdiction between the provincial and federal governments must be addressed as well as Aboriginal land claims. A \$6 million federal study is being conducted that looks at environmental impacts and the regulatory regime. According to the provincial government's Scientific Review Panel "there is no inherent or fundamental inadequacy of the science of technology, properly applied in an appropriate regulatory framework, to justify retention of the BC moratorium" on offshore oil and gas drilling. It is estimated that the moratorium will not be lifted for five years. A report co-produced by the Maritime Awards Society of Canada and BCIT (March 2001) indicates the

value of offshore reserves at 150,000 million barrels of oil and 6 trillion cubic feet of natural gas worth tens of billions of dollars.

### Mining

After shutting down in December 2001, the Myra Falls mine near Campbell River re-opened in March 2002 putting 360 workers back to work, a reduction of 60 jobs. The employees agreed to a reduction in pay as well as tying wages to market prices. This year, in the Comox area, test drilling began for methane from coalbeds. Preliminary results show that there is gas in the area, but the size of the reserves and the flow rates have not yet been determined.

In Port Alberni, there is still interest in attracting an aluminum smelter. A group of business people has announced that they will work towards raising \$1.5 billion U.S. needed to build the smelter. It has been suggested that Port Alberni be seen as an ideal location because it has a deep sea port, educated workforce and competitive power prices. If the project goes ahead it would mean 650 direct and 2,600 indirect jobs. In the meantime, promoters state that they still need a power agreement and a commitment from the provincial government.

### Forestry

On March 22, the duty that had been imposed with the expiration of the softwood lumber agreement in 2001 was supported by the US Commerce Department. The American Coalition for Fair Lumber Imports had successfully advocated that 'Canada subsidizes its forest industry by charging companies low stumpage rates for

#### Potential Job Loss due to Softwood Duties

Regional District	Projected Forestry Job Losses	Per Cent	Projected Cumulative Job Losses	Per Cent
Mount Waddington	693	23.7	1,694	25.2
Alberni	1,063	31.0	2,539	18.1
Central Coast	55	33.9	124	13.2
Cowichan Valley	937	28.6	2,341	7.5
Comox-Strathcona	1,171	29.2	2,988	6.6
Powell River/Sunshine Coast	432	18.2	1,125	5.7
Nanaimo	586	22.7	1,477	2.6

Source: BC Stats and the Ministry of Forests

the right to log Crown forests.' Estimates of job losses due to trade restrictions, including indirect and induced employment, have been forecasted for the regional districts within BC. Mount Waddington will likely receive the hardest blow with a potential 25 percent job loss over the next few years.

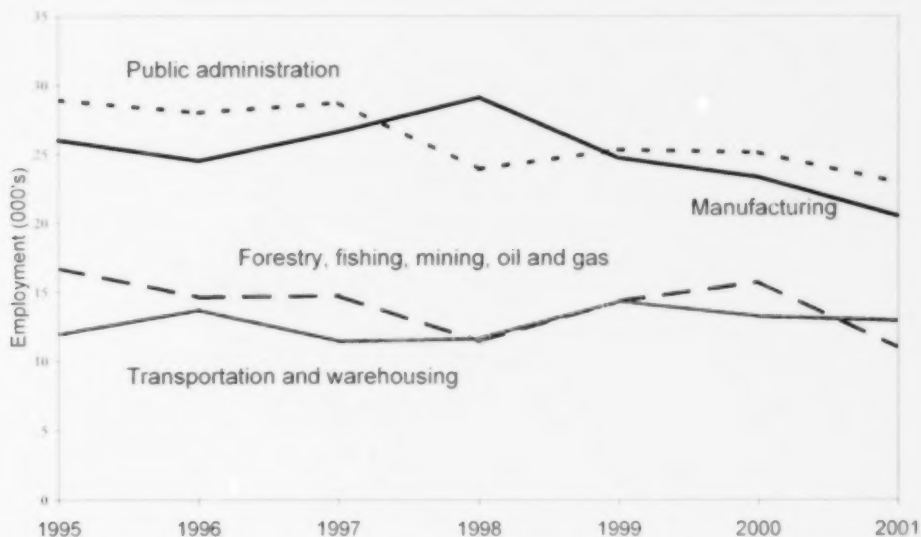
Annual Allowable Cuts (AACs) continue to be reduced on the coast and in the southern portion of the province while they are being increased in the interior and to the north. Since the AACs vary by region, costs of production also vary by region. The cost of producing a thousand board feet of manufactured lumber on the coast in 2000 was \$559, while Interior BC mills produced lumber for \$343 a thousand board feet. Many reasons have been offered for this discrepancy including wages and transportation costs as well as differences in types of wood and terrain and harvesting techniques but likely the most important reason has to do with regulations reducing AAC. The costs of upgrades or new mills are more easily justifiable in areas where the

AAC is underutilized and/or increasing. Lower AACs and subsequently lower capital investments that would otherwise increase productivity and reduce labour costs are changing the pattern of forestry activity within the province.

### Public Service

In the urban south portion of the Island the public sector is a major employer. Almost 40 percent of the labour force in the Capital region are dependent on income from the public service sector while the provincial average is 25 percent. In January, a province wide reduction of 11,000 government employees over a three year period was announced. Subsequently, the majority of the employees affected in the first round of cuts have opted for buy-outs or early retirement. While very few actual lay offs occurred, the reduced work force could lower the income generated in the area.

Vancouver Island/Coast Employment -Selected Categories: 1995-2001



Source: Labour Force Survey Statistics Canada

## **Tourism**

Tourism has grown into an important sector of the provincial economy, with the Island drawing over 650,000 overnight customs entries in 2001. Along with visitors from the rest of the province and the country, some tourist attractions such as Pacific Rim National Park Reserve have more than seven hundred thousand visitors per year. Last year, Victoria saw fifty thousand more visitors than in 2000.

Several communities with ports are making efforts to attract cruise ships. Nanaimo and Campbell River have made additions to docking facilities to accommodate larger vessels. While increased tourism is encouraged, it also poses some difficulties. The average ship can generate 113,000 litres of sewage and 965,000 litres of non-sewage waste water every day. Cruise ships can carry up to 5,000 passengers and produce as much waste as small cities, yet are not governed by the same pollution laws as municipalities. As the popularity of parks such as the Pacific Rim National Park increase, other recreational activities have experienced a decline. Port Alberni is hoping that the sport fishing industry will bounce back, bringing with it former revenues of \$2 million plus per year.

The population of the Vancouver Island/Coast Development Region will likely continue to grow along the south east coast line while losses continue in the rural north and west. If resource extraction and refinement activities begin to increase, the population on the west coast and northern portion of the region could grow, perhaps rapidly in some areas.



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## BC at a glance . . .

<b>POPULATION (thousands)</b>			% change on one year ago
		Apr 1/02	
BC	4,118.1		0.9
Canada	31,260.4		0.9
<b>GDP and INCOME</b>			% change on one year ago
(BC - at market prices)		2001	
Gross Domestic Product (GDP) (\$ millions)	130,396		2.2
GDP (\$ 1997 millions)	125,534		0.9
GDP (\$ 1997 per Capita)	30,648		-0.1
Personal Disposable Income (\$ 1997 per Capita)	19,177		0.8
<b>TRADE (\$ millions)</b>			% change on one year ago
Manufacturing Shipments (seas. adj.) Jul	2,858		0.3
Merchandise Exports (raw) Jun	2,269		-10.6
Retail Sales (seasonally adjusted) Jun	3,401		6.4
<b>CONSUMER PRICE INDEX</b>			% change on one year ago
(all items - 1992=100)		Aug '02	
BC	118.7		2.2
Canada	120.1		2.6
<b>LABOUR FORCE (thousands)</b>			% change on one year ago
(seasonally adjusted)		Aug '02	
Labour Force - BC	2,171		3.4
Employed - BC	2,001		3.6
Unemployed - BC	170		0.7
		Aug '01	
Unemployment Rate - BC (percent)	7.8		8.0
Unemployment Rate - Canada (percent)	7.5		7.3
<b>INTEREST RATES (percent)</b>		Sep 18/02	Sep 19/01
Prime Business Rate	4.50		5.25
Conventional Mortgages - 1 year	5.30		5.54
- 5 year	6.70		7.15
<b>US/CANADA EXCHANGE RATE</b>		Sep 18/02	Sep 19/01
(avg. noon spot rate) Cdn \$	1.5833		1.5713
US \$ (reciprocal of the closing rate)	0.6336		0.6372
<b>AVERAGE WEEKLY WAGE RATE</b>			% change on one year ago
(industrial aggregate - dollars)		Aug '02	
BC	668.08		4.0
Canada	652.60		2.6

### SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada  
 Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics  
 For latest Weekly Financial Statistics see [www.bankofcanada.ca](http://www.bankofcanada.ca)

On our Web Site!

### SOCIO-ECONOMIC INDICES

... providing comparisons across regions of the province on indicators of human economic hardship, crime, health problems, education concerns, and for two target groups - children at risk and youth at risk. The indices have been designed to aid analysts in their knowledge and understanding of regional conditions. Regional Districts and Local Health Areas are compared on maps and graphs, with supporting and supplementary data in table format.

Also on our site are Socio-Economic Profiles, each a 9 page presentation in table and graph format of indicators for Regional Districts, Local health Areas and College regions are available.

Go to our home page

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### Regional Economic Indicators

in the **NEW** section.

### Released this week by BC STATS

- Exports, July 2002
- Small Business Quarterly, 2<sup>nd</sup> Quarter 2002

### Next week

- Consumer Price Index, August 2002
- Business Indicators, September 2002
- Current Statistics, September 2002
- Migration Highlights, 2<sup>nd</sup> Quarter 2002

